

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale.

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

Secondary Issue

Irwin Toy Limited

(Incorporated under the laws of Ontario)

300,000 Shares

(without par value)

All of the 300,000 shares offered by this prospectus are being sold by the Selling Shareholders whose names and holdings are shown under "Selling Shareholders" on page 8. The Company will receive no part of the proceeds from the sale of such shares.

There is no market for the shares of the Company, and the price for this offering was determined by negotiation between the Selling Shareholders and the Underwriter named herein.

An application has been made to list the shares of the Company on The Toronto Stock Exchange. Acceptance of the listing will be subject to the filing of required documents and evidence of satisfactory distribution, both within 90 days.

In the opinion of counsel, these shares will be an investment in which the Canadian and British Insurance Companies Act states that a company registered under Part III thereof may, without availing itself for that purpose of the provisions of subsection (4) of Section 63 of the said Act, invest its funds.

Price: \$9.50 per share

We as principals offer these shares subject to prior sale, if, as and when accepted by us and subject to the approval of all legal matters on behalf of the Selling Shareholders by Messrs. Osler, Hoskin & Harcourt, Toronto and on our behalf by Messrs. Blake, Cassels & Graydon, Toronto.

	<u>Price to public</u>	<u>Underwriting discount</u>	<u>Proceeds to Selling Shareholders</u>
Per share	\$ 9.50	\$.57	\$ 8.93
Total	\$2,850,000	\$171,000	\$2,679,000

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates will be available for delivery on or about May 16, 1969.

Wood Gundy Securities
Limited

Toronto Montreal Winnipeg Vancouver Halifax Quebec Saint John
Ottawa Hamilton London Kitchener Regina Saskatoon
London, Eng. Edmonton Calgary Victoria New York

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The Company

Irwin Toy Limited is the continuing corporation resulting from the amalgamation under the laws of the Province of Ontario, by Letters Patent dated March 26, 1969, of Irwin Specialties Limited, Can-Am Toy Limited, 145 Front Street East Limited and Merchants Trading Limited. In this prospectus, the term "Company" means Irwin Toy Limited or the four predecessor companies or any of them.

The Company owns a 50% interest in Kenner Products (Canada) Limited, Ideal Toy Company of Canada, Ltd. and Rempel Mfg. (Canada) Limited and an interest of approximately 48% in Transogram Canada Limited (which four companies are referred to collectively as the "Jointly-Owned Companies"). The Jointly-Owned Companies, which are managed and operated by the Company and its officers, have contributed substantially to the success of the Company. In this prospectus, the term "Irwin Group" means both the Company and the Jointly-Owned Companies.

The Irwin Group is one of the largest manufacturers and distributors of toys in Canada. The head office and principal office of the Company is at 43 Hanna Avenue, Toronto, Ontario.

Capitalization (1)

	Authorized	Outstanding as at January 31, 1969	Outstanding as at February 28, 1969	Outstanding as at February 28, 1969 after giving effect to the amalgamation referred to in Note (1)
BANK INDEBTEDNESS (2)	—	\$180,320	\$403,870	\$403,870
LONG-TERM DEBT:				
7½% Mortgage payable monthly to March 1, 1987 (3)	\$290,000	\$279,456	\$278,722	\$278,722
8% Mortgage payable monthly to November 1, 1972 (4)	\$135,000	\$ 70,228	\$ 69,093	\$ 69,093
9% Mortgage payable monthly to April 23, 1976 (5)	\$300,000	\$276,000	\$270,000	\$270,000
Sundry indebtedness (6)	—	\$126,219	\$125,279	\$125,279
CAPITAL STOCK:				
Shares without par value	3,000,000 shs.	(7)	(7)	1,200,000 shs. (\$611,492)

NOTES: (1) Irwin Toy Limited is the continuing corporation resulting from the amalgamation on March 26, 1969 of Irwin Specialties Limited, Can-Am Toy Limited, 145 Front Street East Limited and Merchants Trading Limited.

(2) Secured by accounts receivable and inventories.

(3) Secured by a first mortgage on the land and building at 43 Hanna Avenue, Toronto.

(4) Secured by a first mortgage on the land and building at 145 Front Street East, Toronto.

(5) Secured by second and third mortgages on the lands and buildings at 43 Hanna Avenue, Toronto and at 145 Front Street East, Toronto respectively, a chattel mortgage on substantially all machinery and equipment of the Company and a floating charge on other assets of the Company.

(6) Secured as to \$15,987 as at January 31, 1969 and \$15,259 as at February 28, 1969, by a second mortgage, and as to \$62,000 by a fourth mortgage, on the land and building at 145 Front Street East, Toronto.

(7) Between January 31, 1969 and the date hereof the Company's capital has been substantially reorganized. Such reorganization and the steps incidental thereto are fully explained under the heading "1969 Reorganization" on page 4 and in Note 2 to the balance sheets, which appears on page 13.

(8) After giving effect to the amalgamation the Company had retained earnings of \$1,229,959 as at January 31, 1969.

(9) 60,000 shares have been reserved for allotment under the Company's stock option plan referred to on page 9.

History of the Company

The Company's business was founded in 1926 by the late Samuel B. Irwin under the name of Irwin Specialty Company, and in 1954 Irwin Specialty Company was incorporated as Irwin Specialties Limited. Can-Am Toy Limited was incorporated in 1958 as a sales agency company and 145 Front Street East Limited was incorporated in 1960 as a realty holding company to operate in conjunction with the Irwin Group. Merchants Trading Limited, which had been in the toy business since its incorporation in 1965, became associated with the Irwin Group in 1968.

Until 1958 the Company was primarily engaged in the wholesaling of toys, novelties and souvenirs. During that year the Company began acting as the Canadian sales agent for certain U.S. toy manufacturers who desired to have their products distributed in Canada.

As a result of the Company's success in marketing U.S. toys in Canada, Kenner Products Company ("Kenner U.S."), a major U.S. toy manufacturer, agreed in 1960 to form a jointly-owned Canadian company called Kenner Products (Canada) Limited ("Kenner Canada"), for the purpose of carrying on the manufacture in Canada of products developed by Kenner U.S. to be marketed by the Company. The shares of Kenner Canada are owned equally by the Company and by General Mills Incorporated, which is the parent company of Kenner U.S.

Subsequently, similar arrangements for jointly-owned Canadian companies were made with other U.S. toy manufacturers. In 1961 Rempel Mfg. (Canada) Limited ("Rempel Canada") was incorporated with its shares being owned equally by the Company and Rempel Manufacturing Incorporated. In 1963 Transogram Canada Limited ("Transogram Canada") was incorporated with one-third of its shares being owned by the Company and the remainder by Transogram Company Incorporated. Over the next three years the Company increased its interest in the shares of Transogram Canada to its present interest of approximately 48%. Ideal Toy Company of Canada, Ltd. ("Ideal Canada"), whose shares are owned equally by the Company and Ideal Toy Corporation ("Ideal U.S."), was incorporated in 1963, but until 1965 all of the shares of Ideal Canada were held by Ideal U.S.

Since 1963 it has been the Company's policy to establish relationships with other U.S. toy manufacturers for the manufacturing and marketing of their toys in Canada, but only where such toys are compatible with the existing relationships of the Irwin Group.

1969 Reorganization

The Irwin toy business, which has been essentially a family concern, was reorganized early in 1969 in order to consolidate the interests of the shareholders of the various companies. Immediately prior to the reorganization, the shares of Irwin Specialties Limited and 145 Front Street East Limited were owned by members of the Irwin family, the shares of Can-Am Toy Limited and Merchants Trading Limited were owned by members of the Irwin family and three key employees, the 50% interests in Kenner Canada and Ideal Canada were owned by members of the Irwin family, and the 50% interest in Rempel Canada and the 48% interest in Transogram Canada were owned by Irwin Specialties Limited.

As a first step in the reorganization, on March 25, 1969 the members of the Irwin family sold their shares of Kenner Canada and Ideal Canada to Irwin Specialties Limited in exchange for shares of that company. The aggregate value placed on the shares of Kenner Canada and Ideal Canada by the directors of Irwin Specialties Limited was \$517,840, being 50% of the book value of the net tangible assets of Kenner Canada and Ideal Canada at January 31, 1969 as shown by their audited financial statements. This value was placed on the shares in view of the proposed policy of Irwin Toy Limited to reflect investments in 50% owned companies on the basis of the book value of their net tangible assets.

The other step in the reorganization involved the amalgamation on March 26, 1969 of Irwin Specialties Limited, Can-Am Toy Limited, 145 Front Street East Limited and Merchants Trading Limited pursuant to an amalgamation agreement which was adopted unanimously by the shareholders of the four amalgamating companies. Under the provisions of the amalgamation agreement the outstanding shares of the four

amalgamating companies were converted into the 1,200,000 outstanding shares of Irwin Toy Limited, which were received by the shareholders as follows:

Shareholder	For Shares of Can-Am Toy Limited	For Shares of 145 Front Street East Limited	For Shares of Merchants Trading Limited	For Shares of Irwin Specialties Limited in respect of Kenner Canada and Ideal Canada	For Other Shares of Irwin Specialties Limited	Total Shares received of Irwin Toy Limited
Arnold B. Irwin.....	71,884	—	101,083	84,467	184,298	441,732
S. Macdonald Irwin.....	71,884	—	101,083	84,467	184,298	441,732
Lynn M. Irwin.....	—	79,037	—	—	—	79,037
Elinor J. Irwin.....	—	79,037	—	—	—	79,037
Kenneth Nuttall.....	32,296	—	—	—	—	32,296
Jack H. Keirstead.....	32,296	—	—	—	—	32,296
Estate of Samuel B. Irwin...	—	—	—	28,324	1,110	29,434
Beatrice I. Irwin.....	—	—	—	27,821	370	28,191
T. Bryan Irwin.....	—	—	—	27,821	—	27,821
Louis Boaretti.....	—	—	8,424	—	—	8,424
	<u>208,360</u>	<u>158,074</u>	<u>210,590</u>	<u>252,900</u>	<u>370,076</u>	<u>1,200,000</u>

All of the above shareholders may be considered as having an interest in management at the time of the reorganization, and Arnold B. Irwin and S. Macdonald Irwin may be considered as promoters within the meaning of applicable securities legislation.

As at January 31, 1969 the tangible book value of the outstanding shares of the Company was \$1.56, which is \$7.94 less than the price at which shares of the Company are being offered by this prospectus.

Business of the Company

Nature of the Toy Industry

The toy industry, which is a part of the over-all leisure time industry, has experienced an average rate of growth of 10% per year since 1954. A few successful products normally account for a large percentage of profits and most products have a relatively short life cycle. Therefore, the ability to introduce popular new products every year is a prerequisite for success. Television advertising is another key factor in the toy industry. Large television advertising expenditures are required in order to create significant demand for a product which permits long production runs and lower unit manufacturing costs. The method of packaging is also an important sales tool and packaging design and artwork can be a major cost element.

In general, the industry is very seasonal and is characterized by orders from buyers from February through April and shipments from July through December with the bulk of retail sales in November and December. Toy manufacturers in both the U.S. and Canada have been increasing their advertising efforts in traditionally slow retail sales periods in order to increase sales and to remove some of the seasonality from production and shipping.

Canadian toy manufacturers have traditionally enjoyed tariff protection. The tariff on most imported toys is presently 23% and is being reduced over the next three years to 20% in accordance with the terms of the Kennedy Round agreements.

Products

The basic product strategy of the Irwin Group is to introduce toys in Canada one full year after they have been introduced in the United States or other countries. The Irwin Group obtains the Canadian manufacturing rights to toys from a number of U.S. toy manufacturers and therefore is not dependent upon any one particular company for the development of new products. This policy has enabled the Irwin Group to achieve a steady rate of growth since it can select the most successful toys from a variety of sources

and obtain reliable information on manufacturing costs. A description of the products of the Irwin Group is set out below.

Irwin Toy Limited

Each year, the Company enters into licensing arrangements with a number of U.S. toy manufacturers with whom it has a continuing business association, under which royalties are paid for the exclusive right to manufacture and market specific toys in Canada. These arrangements generally provide that the Company may obtain manufacturing tools and designs, television advertisements, packaging designs and artwork, technical assistance and cost information from the U.S. manufacturer.

The Company manufactures and markets many popular toys and games including Buddy L trucks and Super-Flex cartoon characters which have been on the market for three years, Barrel of Monkeys, Magic Mirror and Frisbee which have completed their second year and Three Blind Mice which was introduced last year. These products are marketed under such trade names as Li'l Beaver and Merchants.

In addition to its toy manufacturing operations, the Company manufactures souvenirs, such as pennants and hats, and is an established national wholesaler of toys, gifts and souvenirs. The wholesale line of about 8,000 items includes toys manufactured by the Irwin Group and others, souvenir items for the tourist trade and a variety of other products.

Jointly-Owned Companies

Kenner Canada, Ideal Canada, Transogram Canada and Rempel Canada are each jointly-owned by the Company and a U.S. toy manufacturer (or, in the case of Kenner Canada, by the parent company of a U.S. toy manufacturer). Each of the Jointly-Owned Companies has arrangements with its affiliated U.S. toy manufacturer whereby, in consideration of the payment of a royalty to the U.S. company, the Jointly-Owned Company has an exclusive licence to manufacture and sell in Canada products developed by the U.S. company. Generally speaking the Jointly-Owned Companies have the right to obtain manufacturing tools and designs, television advertisements, packaging designs and artwork, technical assistance and cost information relating to the licensed products. Pursuant to commission arrangements, the Company acts as the exclusive sales agent for the products of each of the Jointly-Owned Companies. These licensing and sales commission arrangements extend until December 31, 1972 in the case of Kenner Canada and Transogram Canada and until January 31, 1974 in the case of Ideal Canada. The arrangements with the Jointly-Owned Companies recognize the importance of the services of Arnold B. Irwin and S. Macdonald Irwin and contain provisions permitting termination in the event that both of the Irwins sever their connections with the Irwin Group. In addition, the arrangements with Transogram Canada may be terminated in the event of a change in effective control of Transogram Company Incorporated. The licensing and sales commission arrangements with Rempel Canada, which is the least significant of the Jointly-Owned Companies, are on a year to year basis.

The most popular Kenner Canada products last year were Easy Bake ovens and cake mixes and Spirograph, which have been on the market for five years and two years respectively, and Spirotot and Knit-o-matic which were introduced last year. Ideal Canada's most popular products last year included Hands Down and Tip-it which have been on the market for three years, Kaboom, Giggles and Racerific which have been out for two years, Action Highway and Supercity which were introduced last year, and a line of vinyl beach toys which has gradually been expanded since 1963. Major products of Transogram Canada include Hands-up-Harry, Kabala and Green Ghost. The only product of Rempel Canada is a latex rocking horse.

Marketing

The Irwin Group's products are sold through two separate sales forces. One sales force handles virtually all of the Irwin Group's manufactured toy products and sells to approximately 1,500 customers in Canada, including all of the major department stores. The other sales force, which is used for the Company's wholesale product line, sells to about 3,000 additional customers across Canada including the national variety chain stores and independent souvenir stores.

The Irwin Group pioneered the use of television advertising in the toy industry in Canada. The majority of the Irwin Group's television advertising is associated with children's programmes and virtually

every television market in Canada is covered. During the fiscal year ended January 31, 1969, the Irwin Group spent over \$1,250,000 on advertising, almost all of which was allocated to television. The Company believes that amount is considerably greater than television advertising expenditures made by any of its competitors.

Manufacturing

The manufacturing activities of the Irwin Group consist primarily of the assembly of components. These parts are purchased mainly in Canada with other purchases being made in the Orient and the United States. The Company owns two buildings in Toronto, one having about 360,000 square feet of floor space and the other about 75,000 square feet. The larger building houses all of the Irwin Group's manufacturing, shipping and receiving and much of its storage facilities while the smaller building is used mainly for storage.

The Irwin Group schedules long production runs in order to improve operating efficiency and reduce unit costs. The labour force, which is mainly female, averages about 350 employees and reaches a seasonal peak of about 500 employees. Labour costs amount to less than 5% of sales.

Directors and Officers

The directors and officers of the Company are as follows:

<u>Name and address</u>	<u>Office</u>	<u>Principal occupation</u>
ARNOLD BEATTY IRWIN..... 34 Edgar Avenue, Toronto, Ontario	President and Director....	Executive, Irwin Toy Limited
SAMUEL MACDONALD IRWIN..... 106 Garfield Avenue, Toronto, Ontario	Executive Vice-President.. and Director	Executive, Irwin Toy Limited
LOUIS BOARETTI..... 1413 Lochlin Trail, Mississauga, Ontario	Secretary-Treasurer..... and Director	Executive, Irwin Toy Limited
EDWARD JOHN MEREDITH HUYCKE, Q.C.... 196 Inglewood Drive, Toronto, Ontario	Director.....	Partner, Osler, Hoskin & Harcourt (solicitors for Irwin Toy Limited)
BEATRICE ISABEL IRWIN..... 12 Baytree Crescent, Willowdale, Ontario	Director.....	Director, Irwin Toy Limited
CHARLES EDWARD MEDLAND..... 319 Glenayr Road, Toronto, Ontario	Director.....	Vice-President and Director, Wood Gundy Securities Limited

During the past five years all of the directors and officers of the Company have been associated in various capacities with the corporations or firm indicated opposite their names or predecessors of such corporations.

As at March 27, 1969 the directors and senior officers (comprised of the five highest paid employees including the three officers shown under "Directors and Officers" above) of the Company, as a group, beneficially owned, directly or indirectly, 952,375 shares of the Company being 79.4% of the outstanding shares.

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the Company to its directors and senior officers during the year ended January 31, 1969 was \$171,703 and from February 1, 1969 to February 28, 1969 was \$10,936.

The estimated aggregate cost to the Company in the year ended January 31, 1969 of all pension benefits proposed to be paid to the directors and senior officers of the Company in the event of retirement at normal retirement age was \$6,053.

Selling Shareholders

The following are the names of all the shareholders of the Company, the number of shares owned by them, and the number of shares, if any, to be sold by them:

<u>Name and address</u>	<u>Number of shares owned</u>	<u>Percentage of class outstanding</u>	<u>Number of shares to be sold by shareholder</u>	<u>Number of shares to be owned after this offering</u>	<u>Percentage of class to be owned after this offering</u>
ARNOLD BEATTY IRWIN 34 Edgar Avenue, Toronto, Ontario.....	341,732	28.48%	94,955	246,777	20.57%
SAMUEL MACDONALD IRWIN 106 Garfield Avenue, Toronto, Ontario.....	341,732	28.48%	94,955	246,777	20.57%
WARMONDY INVESTMENTS LIMITED* 110 Church Street, Toronto, Ontario.....	100,000	8.33%	—	100,000	8.33%
INAMERE HOLDINGS LIMITED* 43 Hanna Avenue, Toronto, Ontario	100,000	8.33%	—	100,000	8.33%
LYNN MARY IRWIN 34 Edgar Avenue, Toronto, Ontario.....	79,037	6.59%	16,990	62,047	5.17%
ELINOR JANE IRWIN 106 Garfield Avenue, Toronto, Ontario.....	79,037	6.59%	16,990	62,047	5.17%
KENNETH NUTTALL 1037 Lakeshore Road, Oakville, Ontario.....	32,296	2.69%	6,942	25,354	2.11%
JACK HENRY KEIRSTEAD 65 Thorncliffe Park Drive, Toronto, Ontario.....	32,296	2.69%	6,942	25,354	2.11%
THE ESTATE OF SAMUEL BEATTY IRWIN 12 Baytree Crescent, Willowdale, Ontario.....	29,434	2.45%	29,434	—	—
BEATRICE ISABEL IRWIN 12 Baytree Crescent, Willowdale, Ontario.....	28,191	2.35%	25,000	3,191	.27%
THOMAS BRYAN IRWIN 55 Wynford Drive, Don Mills, Ontario.....	27,821	2.32%	5,981	21,840	1.82%
LOUIS BOARETTI 1413 Lochlin Trail, Mississauga, Ontario.....	8,424	0.70%	1,811	6,613	.55%
	<u>1,200,000</u>	<u>100.00%</u>	<u>300,000</u>	<u>900,000</u>	<u>75.00%</u>

*Warmondy Investments Limited and Inamere Holdings Limited, all the shares of which are held by trustees for the offspring of Arnold B. Irwin and S. Macdonald Irwin respectively, purchased their shares of the Company from Arnold B. Irwin and S. Macdonald Irwin respectively, at a price of \$9.50 per share, on May 2nd, 1969. These shares were purchased for investment purposes.

Description of Shares

The shares without par value are the only class of shares of the Company. Their holders are entitled to one vote in respect of each share held and to share rateably in any dividends or other distributions to shareholders. The shares offered by this prospectus are fully paid and non-assessable.

Stock Option Plan

The board of directors of the Company have adopted a stock option plan, which has been approved by the shareholders, pursuant to which options to purchase up to an aggregate of 60,000 shares of the Company may be granted to officers and full-time employees of the Company. The price at which options may be granted shall be not less than the fair market price of the shares on the day preceding the grant of such options. The options will be exercisable on a cumulative basis as to 20% thereof during each of the five twelve-month periods following the grant thereof. No options have been granted to directors or senior officers. Options expiring April 30, 1974 with respect to 26,000 shares, exercisable at a price of \$9.50 per share, have been granted to employees.

Dividends

In each of the last five fiscal years Can-Am Toy Limited paid a dividend of 5 cents per share on its outstanding preference shares. During the years ended January 31, 1966 and January 31, 1967, 145 Front Street East Limited paid dividends of 10¢ per share and 5¢ per share respectively on its outstanding preference shares. These dividends aggregated \$752.

Plan of Distribution

Under an agreement dated May 2, 1969 with Wood Gundy Securities Limited, as underwriter, the Selling Shareholders have agreed to sell and the underwriter has agreed to purchase on or about May 16, 1969, subject to the terms and conditions stated therein, all, but not part of, the 300,000 shares offered by this prospectus at a price of \$8.93 per share, less security transfer taxes, payable in cash on delivery.

Material Contracts

The Company has not entered into any material contracts during the past two years, other than contracts made in the ordinary course of business, except for certain of the contracts relating to the arrangements described on page 6 for the manufacture and sale of the products of the Jointly-Owned Companies, namely:

- (1) agreement between Kenner Canada and Can-Am Toy Limited and others, dated as of February 1, 1968,
- (2) agreement between Ideal Canada, Ideal U.S., Irwin Specialties Limited, Can-Am Toy Limited and others, dated as of January 31, 1969,
- (3) agreement between Transogram Canada and Irwin Specialties Limited dated March 24, 1969, amending an agreement dated June 14, 1963,
- (4) agreement between Transogram Canada and Can-Am Toy Limited dated March 24, 1969, amending an agreement dated June 14, 1963,
- (5) agreement between Transogram Company Incorporated and Irwin Specialties Limited dated March 24, 1969 amending an agreement dated May 16, 1963,

and the agreement between Irwin Specialties Limited, Can-Am Toy Limited, 145 Front Street East Limited and Merchants Trading Limited dated March 14, 1969 providing for their amalgamation.

Copies of the foregoing agreements may be examined during normal business hours at the head office of the Company during the period of primary distribution of the shares offered by this prospectus and for a period of 30 days thereafter.

Auditors, Transfer Agent and Registrar

The auditors of the Company are Harbinson, Glover & Co., 101 Richmond Street West, Toronto.

The transfer agent and registrar for the shares of the Company is The Royal Trust Company at its principal offices in Toronto, Montreal, Winnipeg, Calgary and Vancouver.

**Companies which subsequently amalgamated
as Irwin Toy Limited (Note 1)**

Statement of Combined Earnings

	Fiscal years ended January 31,				
	1965	1966	1967	1968	1969
Earnings, before the following deductions (Note 2)	\$123,019	\$158,729	\$223,913	\$416,514	\$941,353
Depreciation.....	13,780	16,683	19,522	69,367	53,675
Interest on long-term debt.....	13,540	16,693	20,841	32,151	60,654
Income taxes (Note 4).....	23,150	41,679	71,200	137,700	419,000
	<u>50,470</u>	<u>75,055</u>	<u>111,563</u>	<u>239,218</u>	<u>533,329</u>
Net earnings excluding equity in net earnings of companies 50% owned.....	<u>\$ 72,549</u>	<u>\$ 83,674</u>	<u>\$112,350</u>	<u>\$177,296</u>	<u>\$408,024</u>
Note:					
Equity in net earnings (loss) of companies 50% owned (Note 3).....	\$(20,966)	\$ 33,322	\$ 77,188	\$100,617	\$173,149

Statement of Combined Retained Earnings

	Fiscal years ended January 31,				
	1965	1966	1967	1968	1969
Retained earnings, beginning of year.....	\$184,318	\$256,848	\$340,103	\$452,215	\$ 629,473
Net earnings excluding equity in net earnings of companies 50% owned.....	72,549	83,674	112,350	177,296	408,024
Life insurance claim received (non-recurring)...					200,000
Dividends on preference shares.....	(19)	(419)	(238)	(38)	(38)
Goodwill written off.....					(7,500)
Retained earnings, end of year.....	<u>\$256,848</u>	<u>\$340,103</u>	<u>\$452,215</u>	<u>\$629,473</u>	<u>\$1,229,959</u>

**Notes to Statements of Combined Earnings
and Combined Retained Earnings**

1. COMPANIES INCLUDED

The statements of combined earnings and combined retained earnings include earnings of Irwin Specialties Limited, Can-Am Toy Limited, and 145 Front Street East Limited for the five years ended January 31, 1969 and of Merchants Trading Limited for the period June 17, 1965 (date of incorporation) to January 31, 1969. The earnings of Merchants Trading Limited, whose fiscal year end was not January 31, were pro-rated so that the combined figures reflect its earnings for fiscal periods ended on January 31 in each year. Merchants Trading Limited was not connected with the Company until February 29, 1968; on that date certain directors of Irwin Specialties Limited acquired for a nominal consideration all of the outstanding shares of Merchants Trading Limited, which was then in a loss position. The statements of combined earnings and combined retained earnings include net earnings of Merchants Trading Limited as follows:

	For fiscal years ended January 31,			
	1966	1967	1968	1969
Net earnings (loss).....	\$(10,844)	\$(12,355)	\$(26,667)	\$74,708
Inter-company transactions have been eliminated.				

2. SALES AND REVENUE—Percentage Increases

	Fiscal years ended January 31,			
	1966	1967	1968	1969
Percentage increases of sales of products and services over the fiscal year ended January 31, 1965.....	39.2%	82.5%	158.6%	178.7%
Percentage increases of gross operating revenue over the fiscal year ended January 31, 1965.....	32.1%	100.6%	238.5%	319.5%

3. EQUITY IN NET EARNINGS OF COMPANIES 50% OWNED.

Irwin Specialties Limited, one of the amalgamating companies, owned 50% of the shares of Rempel Mfg. (Canada) Limited throughout the five years ended January 31, 1969 and acquired 50% of the shares of Ideal Toy Company of Canada, Ltd. and Kenner Products (Canada) Limited on March 25, 1969.

The equity in net earnings (loss) of companies 50% owned at the date of amalgamation is not included in the statement of combined earnings but is set out in the footnote thereto. The inclusion of the equity in net earnings (loss) of such companies, regardless of the date of acquisition, based on the net earnings reported in the audited annual financial statements of such companies adjusted to allocate tax reductions due to applications of loss to the year of loss, would result in the following:

	Fiscal years ended January 31,				
	1965	1966	1967	1968	1969
Net earnings including equity in net earnings of companies 50% owned.....	\$51,583	\$116,996	\$189,538	\$277,913	\$581,173

It is the Company's intention for its fiscal year ending January 31, 1970 and subsequent fiscal years to include in net earnings its equity in net earnings of companies 50% owned and to reflect the investment in such companies at the value of their underlying net tangible assets.

Percentage increases of the sales of products and services of the amalgamating companies together with the total sales of the companies 50% owned over the fiscal year ended January 31, 1965 were as follows:

	Fiscal years ended January 31,			
	1966	1967	1968	1969
Sales of products and services.....	34.5%	59.1%	121.9%	179.3%

4. INCOME TAXES

Income taxes have been included in the statement of combined earnings on the basis of tax provisions for the various years except that tax reductions due to application of losses have been allocated to the year of loss.

If the earnings for all amalgamating companies were considered as earned by one taxable corporation, the provision for income taxes would have increased as follows:

Year ended January 31,	Increase in income taxes
1965.....	\$16,463
1966.....	13,354
1967.....	14,096
1968.....	16,299
1969.....	12,259

Income tax returns have been filed by the amalgamating companies and preliminary assessments received for all fiscal years up to and including 1968. Final assessments have been made for all fiscal years up to and including 1963.

Auditors' Report on Statement of Combined Earnings, Statement of Combined Retained Earnings and Equity in Net Earnings of Companies 50% Owned

To the Directors of
IRWIN TOY LIMITED.

We have examined the statements of combined earnings and combined retained earnings of the companies referred to in Note 1 which subsequently amalgamated as Irwin Toy Limited, for the five years ended January 31, 1969. We also have examined the financial statements of the companies 50% owned referred to in Note 3, for the five years ended January 31, 1969. Our examination of the financial statements for which we were the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who examined the financial statements of Merchants Trading Limited and Ideal Toy Company of Canada, Ltd., where applicable.

In our opinion the statements of combined earnings and combined retained earnings of the companies referred to in Note 1 present fairly the results of their combined operations for the five years ended January 31, 1969, in accordance with generally accepted accounting principles applied on a consistent basis. We further report that in our opinion the equity in net earnings of the companies 50% owned referred to in Note 3 for the five years ended January 31, 1969 is fairly presented in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario,
May 2, 1969.

(Signed) HARBINSON, GLOVER & Co.
Chartered Accountants

**Companies which subsequently amalgamated
as Irwin Toy Limited**

Combined Balance Sheet as at January 31, 1969 (Note 1)

and

Pro Forma Balance Sheet as at January 31, 1969 (Note 2)

Assets	Combined balance sheet (Note 1)	Pro Forma balance sheet (Note 2)
CURRENT:		
Cash.....	\$ 8,548	\$ 3,787
Accounts receivable.....	779,037	779,037
Inventories (Note 3).....	1,230,421	1,230,421
Prepaid expenses.....	<u>14,637</u>	<u>14,637</u>
	2,032,643	2,027,882
LIFE INSURANCE, cash surrender value.....	44,663	44,663
NOTE RECEIVABLE (Note 4).....	90,738	—
INVESTMENTS (Note 5).....	46,090	654,668
FIXED:		
Land, buildings, plant and equipment, at cost, less accumulated depreciation of \$190,296.....	<u>894,898</u>	<u>894,898</u>
	<u><u>\$3,109,032</u></u>	<u><u>\$3,622,111</u></u>
Liabilities		
CURRENT:		
Bank indebtedness (secured).....	\$ 180,320	\$ 180,320
Accounts payable and accrued liabilities.....	536,354	536,354
Income and other taxes payable.....	282,390	282,390
Current portion of long-term debt.....	<u>146,087</u>	<u>146,087</u>
	1,145,151	1,145,151
LONG-TERM DEBT (Note 6).....	605,816	605,816
Shareholders' Equity		
CAPITAL STOCK:		
Combined balance sheet.....	98,413	—
Pro forma balance sheet		
Authorized: 3,000,000 shares without par value		
Issued: 1,200,000 shares (Note 7).....	—	611,492
CONTRIBUTED SURPLUS (Note 8).....	29,693	29,693
RETAINED EARNINGS.....	<u>1,229,959</u>	<u>1,229,959</u>
	<u><u>\$3,109,032</u></u>	<u><u>\$3,622,111</u></u>

Approved on behalf of the Board:

(Signed) A. B. IRWIN, Director

(Signed) L. BOARETTI, Director

Notes to Combined Balance Sheet and Pro Forma Balance Sheet as at January 31, 1969

1. COMPANIES INCLUDED

The combined balance sheet is comprised of the accounts of Irwin Specialties Limited, Merchants Trading Limited, Can-Am Toy Limited and 145 Front Street East Limited, which amalgamated on March 26, 1969 as Irwin Toy Limited.

2. PRO FORMA TRANSACTIONS

The pro forma balance sheet gives effect at January 31, 1969 to

- (a) The purchase for cancellation on March 25, 1969 of 4,001 \$1 par value preference shares of 145 Front Street East Limited for \$4,001 and the purchase for cancellation of 760 \$1 par value preference shares of Can-Am Toy Limited for \$760.
- (b) The purchase on March 25, 1969 by Irwin Specialties Limited of 50% of the outstanding shares of Ideal Toy Company of Canada, Ltd. and Kenner Products (Canada) Limited at the book value of these shares as at January 31, 1969 for a total consideration of \$517,840 satisfied by the issuance of common shares of Irwin Specialties Limited.
- (c) The issue of letters patent of amalgamation dated March 26, 1969 confirming the agreement dated March 14, 1969 between Irwin Specialties Limited, Merchants Trading Limited, Can-Am Toy Limited and 145 Front Street East Limited to amalgamate and continue as one company under the name of Irwin Toy Limited, a public company with an authorized capital of 3,000,000 shares without par value and an issued capital of 1,200,000 shares.

3. INVENTORIES

Raw materials.....	\$ 176,548
Finished goods.....	<u>1,053,873</u>
	<u>\$1,230,421</u>

Raw materials and finished goods were valued at the lower of cost or net realizable value.

4. NOTE RECEIVABLE

The 6% note receivable from Ideal Toy Company of Canada, Ltd., in the amount of \$90,738 has been included in Investments on the pro forma balance sheet (Note 5).

5. INVESTMENTS, AT COST

	Combined balance sheet	Pro Forma balance sheet
Companies 50% owned:		
Shares of Ideal Toy Company of Canada, Ltd. and Kenner Products (Canada) Limited (acquired March 25, 1969).....	—	\$517,840
6% note receivable from Ideal Toy Company of Canada, Ltd.....	—	90,738
Shares of Rempel Mfg. (Canada) Limited.....	\$10,000	10,000
Company 47.8% owned:		
Shares of Transogram Canada Limited.....	35,160	35,160
Other investments.....	<u>930</u>	<u>930</u>
	<u>\$46,090</u>	<u>\$654,668</u>

It is the Company's intention for its fiscal year ending January 31, 1970 and subsequent fiscal years to include in net earnings its equity in net earnings of companies 50% owned and to reflect the investment in such companies at the value of their underlying net tangible assets. On this basis, at January 31, 1969, the pro forma balance sheet would show the equity in the underlying net tangible assets of Ideal Toy Company of Canada, Ltd. and Kenner Products (Canada) Limited unchanged from the above presentation while the amount for Rempel Mfg. (Canada) Limited would be a deficit of \$3,346.

It is the Company's policy to reflect its investment in shares of Transogram Canada Limited at cost and to include net earnings of Transogram Canada Limited in net earnings of the Company only to the extent of dividends received. At December 31, 1968 which was the fiscal year end of Transogram Canada Limited, the Company's equity in the underlying net tangible assets of Transogram Canada Limited was \$120,037. 47.8% of the net earnings of Transogram Canada Limited (being the Company's present equity) for each of the five fiscal years ended December 31, is: 1964—\$4,112; 1965—\$29,025; 1966—\$38,040; 1967—\$10,335; and 1968—\$6,644.

6. LONG-TERM DEBT

7½% First mortgage payable monthly to March 1, 1987, secured on land and building at 43 Hanna Avenue, Toronto.....	\$279,456
8% First mortgage payable monthly to November 1, 1972 secured on land and building at 145 Front Street East, Toronto.....	70,228
9% Mortgage payable monthly to April 23, 1976, secured by second and third mortgages on lands and buildings at 43 Hanna Avenue, Toronto, and 145 Front Street East, Toronto respectively, by a chattel mortgage on machinery and equipment and a floating charge on other assets.....	276,000
Sundry mortgage indebtedness secured on land and building at 145 Front Street East, Toronto:	
Due to shareholders.....	62,000
Due to others.....	15,987
Sundry notes payable.....	48,232
	<u>751,903</u>
Less: Current portion due within one year.....	146,087
	<u>\$605,816</u>

7. STOCK OPTION PLAN

The board of directors of the Company have adopted a stock option plan pursuant to which options to purchase up to an aggregate of 60,000 shares of the Company may be granted to officers and full-time employees of the Company. Options expiring April 30, 1974 with respect to 26,000 shares have been granted, exercisable at a price of \$9.50 per share.

8. CONTRIBUTED SURPLUS

A contributed surplus of \$29,693 was created in Merchants Trading Limited as a result of the financial reorganization of that company which took place in February 1968, immediately prior to the acquisition of all of its outstanding shares by certain directors of Irwin Specialties Limited.

Auditors' Report on the Balance Sheets

To the Directors of
IRWIN TOY LIMITED.

We have examined the combined balance sheet as at January 31, 1969 of the companies set out in Note 1 to the balance sheets, which companies subsequently amalgamated as Irwin Toy Limited. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the combined balance sheet presents fairly the combined financial position of the companies referred to above as at January 31, 1969 in accordance with generally accepted accounting principles applied on a consistent basis.

We further report that, in our opinion, the accompanying pro forma balance sheet presents fairly the financial position of Irwin Toy Limited as at January 31, 1969 after giving effect as at that date to the transactions set out in Note 2 of the balance sheets.

Toronto, Ontario,
May 2, 1969.

(Signed) HARBINSON, GLOVER & CO.
Chartered Accountants

Purchaser's Statutory Rights of Withdrawal and Rescission

Sections 63 and 64 of The Securities Act, 1967 (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan), sections 63 and 64 of The Securities Act, 1968 (Manitoba), and sections 63 and 64 of The Securities Act, 1966 (Ontario) provide, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that, where a security is offered to the public in the course of primary distribution, a purchaser has the same right of rescission described in (b) above and also that a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Certificates

Dated: May 2, 1969.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

(Signed) A. B. IRWIN
President

(Signed) L. BOARETTI
Secretary-Treasurer

On behalf of the Board of Directors

(Signed) S. M. IRWIN
Director

(Signed) E. J. M. HUYCKE
Director

Directors

(Signed) A. B. IRWIN

(Signed) S. M. IRWIN

(Signed) L. BOARETTI

(Signed) E. J. M. HUYCKE

(Signed) B. I. IRWIN

(Signed) C. E. MEDLAND

Underwriter

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

WOOD GUNDY SECURITIES LIMITED

By: (Signed) DAVID C. H. STANLEY

The following includes the name of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of Wood Gundy Securities Limited: C. L. Gundy, W. P. Wilder, J. N. Cole, E. S. Johnston, J. K. McCausland, P. J. Chadsey and J. R. LeMesurier.

September 23, 1969

TO THE SHAREHOLDERS,
IRWIN TOY LIMITED:

I am pleased to submit to you herewith the interim unaudited financial results of your Company for the 6 months ended July 31, 1969, representing the first half of your Company's fiscal year.

Your Company made satisfactory progress in this period. Our total sales orders were up 32% over the first 6 months of last year and indeed were greater than total sales in the entire year ended January 31, 1969. Net profit after taxes at 18.5 cents per share was over 50% greater than in the first half of last year.

Unshipped orders on hand at July 31 were substantially greater than a year earlier, and we have since experienced a most encouraging reception for our new lines. We are confident of continuing favourable results in the second half of this year.

In the 1968 fiscal year earnings in the first 6 months were only one-quarter of total earnings during the year; this indicates clearly the seasonal nature of our business and the dominant importance of second half earnings in determining the year's results. Thus although we are optimistic about future earnings, it is difficult to project accurately whether or not earnings growth can be maintained at the rate established in the first 6 months of this year.

ARNOLD B. IRWIN,
President.



*interim report
to the shareholders*

IRWIN TOY LIMITED

(UNAUDITED INTERIM REPORTS)

six months ended July 31, 1969

(with comparative figures for the six months ended July 31, 1968)

STATEMENT OF EARNINGS

	1969	1968
Earnings before the following deductions	\$296,574	\$232,562
Depreciation	28,817	26,343
Interest on long term debt	28,158	27,678
Income taxes	125,000	90,000
	\$181,975	\$144,021
Net earnings before undernoted	\$114,599	\$ 88,541
Equity in net earnings of companies 50% owned	108,178	54,235
Net earnings for period	\$222,777	\$142,776
Net earnings per share based on 1,200,000 shares outstanding	\$ 0.18½	\$ 0.12

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

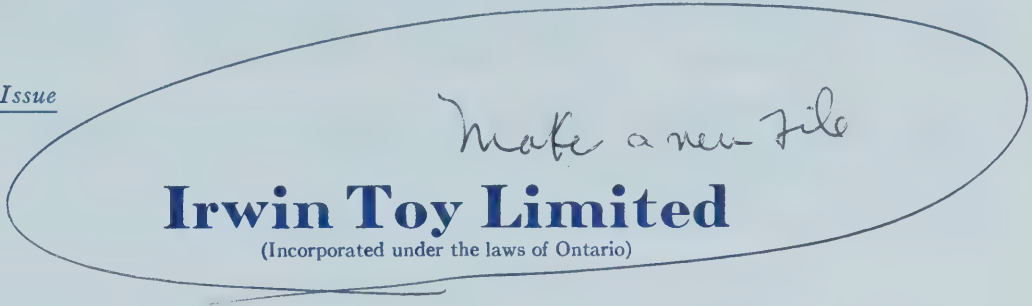
Source of Funds:	1969	1968
Net earnings for period	\$222,777	\$142,776
Depreciation not requiring cash outlay	28,817	26,343
Increase in long term debt	—	276,968
Common shares issued	—	104
Repayment of long term note receivable	90,738	—
	\$342,332	\$446,191
Application of Funds:		
Increase in investment in companies 50% owned—Equity in net earnings	\$108,178	\$ 54,235
Increase in cash surrender value of life insurance	1,378	6,695
Plant and equipment additions	83,117	14,312
Decrease in long term debt	46,305	—
Preferred shares purchased for cancellation	4,761	—
	\$243,739	\$ 75,242
Increase in working capital	\$ 98,593	\$370,949

NOTES:

1. Irwin Toy Limited is the continuing corporation resulting from the amalgamation under the laws of the Province of Ontario, by Letters Patent dated March 26, 1969, of Irwin Specialties Limited, Can-Am Toy Limited, 145 Front Street East Limited and Merchants Trading Limited. The fiscal year end of all amalgamating companies was January 31 which coincides with the fiscal year end of Irwin Toy Limited.
2. The statements of earnings, and source and application of funds include the amalgamating companies for the appropriate portions of the periods prior to the date of amalgamation.
3. On March 25, 1969, Irwin Specialties Limited, one of the amalgamating companies, acquired an equity in the companies 50% owned at the value of their underlying net tangible assets as at January 31, 1969. The equity in net earnings of these companies 50% owned has been included in the statements of earnings, and source and application of funds for the six months ended July 31, 1968 and 1969.
4. The percentage increase of sales of products and services for the six months' period ended July 31 over the prior year comparative period is: 1969—14%, 1968—19%; the percentage increase of gross operating revenue for the same comparative periods is: 1969—20%, 1968—67%. The percentage increase of sales of products and services of Irwin Toy Limited, together with companies 50% owned, for the same comparative periods is: 1969—48%, 1968—36%.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale.
NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

Outstanding Issue



300,000 Shares
(without par value)

All of the 300,000 shares offered by this prospectus are being sold by the Selling Shareholders whose names and holdings are shown under "Selling Shareholders" on page 7. The Company will receive no part of the proceeds from the sale of such shares.

There is no market for the shares of the Company, and the price for this offering was determined by negotiation between the Selling Shareholders and the Underwriter named herein.

In the opinion of counsel, these Shares will be an investment in which the Canadian and British Insurance Companies Act states that a company registered under Part III thereof may, without availing itself for that purpose of the provisions of subsection (4) of Section 63 of the said Act, invest its funds.

Price: \$ per share

We as principals offer these shares subject to prior sale, if, as and when accepted by us and subject to the approval of all legal matters on behalf of the Selling Shareholders by Messrs. Osler, Hoskin & Harcourt, Toronto and on our behalf by Messrs. Blake, Cassels & Graydon, Toronto.

	<u>Price to public</u>	<u>Underwriting discount</u>	<u>Proceeds to Selling Shareholders</u>
Per share.....	\$	\$	\$
Total.....	\$	\$	\$

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that share certificates will be available for delivery on or about May , 1969.

This is a preliminary prospectus relating to these securities, a copy of which has been filed with the Alberta, Saskatchewan, Manitoba and Ontario Securities Commissions but which has not yet become final for the purpose of a primary distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted in any such Province prior to the time a receipt is obtained for the final prospectus from the Securities Commission of such Province.

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The Company

Irwin Toy Limited is the continuing corporation resulting from the amalgamation under the laws of the Province of Ontario, by Letters Patent dated March 26, 1969, of Irwin Specialties Limited, Can-Am Toy Limited, 145 Front Street East Limited and Merchants Trading Limited. In this prospectus, the term "Company" means Irwin Toy Limited or the four predecessor companies or any of them.

The Company owns a 50% interest in Kenner Products (Canada) Limited, Ideal Toy Company of Canada, Ltd. and Rempel Mfg. (Canada) Limited and an interest of approximately 48% in Transogram Canada Limited (which four companies are referred to collectively as the "Jointly-Owned Companies"). The Jointly-Owned Companies, which are managed and operated by the Company and its officers, have contributed substantially to the success of the Company. In this prospectus, the term "Irwin Group" means both the Company and the Jointly-Owned Companies.

The Irwin Group is one of the largest manufacturers and distributors of toys in Canada. The head office and principal office of the Company is at 43 Hanna Avenue, Toronto, Ontario.

Capitalization

	Authorized	Outstanding as at January 31, 1969	Outstanding as at February 28, 1969	Outstanding as at February 28, 1969 after giving effect to the amalgamation referred to in Note (1)
BANK INDEBTEDNESS (2)	—	\$180,320	\$403,870	\$403,870
LONG-TERM DEBT:				
7½% Mortgage payable monthly to March 1, 1987 (3)	\$290,000	\$279,456	\$278,722	\$278,722
8% Mortgage payable monthly to November 1, 1972 (4)	\$135,000	\$ 70,228	\$ 69,093	\$ 69,093
9% Mortgage payable monthly to April 23, 1976 (5)	\$300,000	\$276,000	\$270,000	\$270,000
Sundry indebtedness	—	\$126,219	\$125,279	\$125,279
CAPITAL STOCK:				
Shares without par value	3,000,000 shs.	(6)	(6)	1,200,000 shs.

NOTES: (1) Irwin Toy Limited is the continuing corporation resulting from the amalgamation on March 26, 1969 of Irwin Specialties Limited, Can-Am Toy Limited, 145 Front Street East Limited and Merchants Trading Limited.

(2) Secured by accounts receivable and inventories.

(3) Secured by a first specific charge on the land and building at 43 Hanna Avenue, Toronto.

(4) Secured by a first specific charge on the land and building at 145 Front Street East, Toronto.

(5) Secured by specific charges on the land and buildings at 43 Hanna Avenue, Toronto and at 145 Front Street East, Toronto, a chattel mortgage on substantially all machinery and equipment of the Company and a floating charge on other assets of the Company.

(6) Between January 31, 1969 and the date hereof the Company's capital has been substantially reorganized. Such reorganization and the steps incidental thereto are fully explained under the heading "History of the Company" on page 4 and in Note 2 to the balance sheets, which appears on page 12.

(7) After giving effect to the amalgamation the Company had retained earnings of \$1,229,959 as at January 31, 1969.

(8) 60,000 shares have been reserved for allotment under the Company's stock option plan referred to on page 8.

History of the Company

The Company's business was founded in 1926 by the late Samuel B. Irwin under the name of Irwin Specialty Company, and in 1954 Irwin Specialty Company was incorporated as Irwin Specialties Limited. Can-Am Toy Limited was incorporated in 1958 as a sales agency company and 145 Front Street East Limited was incorporated in 1960 as a realty holding company to operate in conjunction with the Irwin Group. Merchants Trading Limited, which had been in the toy business since its incorporation in 1965, became associated with the Irwin Group in 1968.

Until 1958 the Company was primarily engaged in the wholesaling of toys, novelties and souvenirs. During that year the Company began acting as the Canadian sales agent for certain U.S. toy manufacturers who desired to have their products distributed in Canada.

As a result of the Company's success in marketing U.S. toys in Canada, Kenner Products Company ("Kenner U.S."), a major U.S. toy manufacturer, agreed in 1960 to form a jointly-owned Canadian company called Kenner Products (Canada) Limited ("Kenner Canada"), for the purpose of carrying on the manufacture in Canada of products developed by Kenner U.S. to be marketed by the Company. The shares of Kenner Canada are owned equally by the Company and by General Mills Incorporated, which is the parent company of Kenner U.S.

Subsequently, similar arrangements for jointly-owned Canadian companies were made with other U.S. toy manufacturers. In 1961 Rempel Mfg. (Canada) Limited ("Rempel Canada") was incorporated with its shares being owned equally by the Company and Rempel Manufacturing Incorporated. In 1963 Transogram Canada Limited ("Transogram Canada") was incorporated and approximately 48% of its shares are owned by the Company and the remainder by Transogram Company Incorporated. Ideal Toy Company of Canada, Ltd. ("Ideal Canada"), whose shares are owned equally by the Company and Ideal Toy Corporation ("Ideal U.S."), was incorporated in 1963, but until 1965 all of the shares of Ideal Canada were held by Ideal U.S.

Since 1963 it has been the Company's policy to establish relationships with other U.S. toy manufacturers for the manufacturing and marketing of their toys in Canada, but only where such toys are compatible with the existing relationships of the Irwin Group.

Prior to the amalgamation all the shares of the four amalgamating companies and the shares of Kenner Canada and Ideal Canada now held by the Company were owned by two sons of the late Samuel B. Irwin, Arnold B. Irwin and S. Macdonald Irwin, by other members of the Irwin family and by three key employees. As part of a re-organization of the Irwin Group culminating in the amalgamation, the shares of Kenner Canada and Ideal Canada were transferred to Irwin Specialties Limited, at their aggregate book value at January 31, 1969 of \$517,840 as shown on the audited financial statements of such companies, in exchange for shares of Irwin Specialties Limited. Arnold B. Irwin and S. Macdonald Irwin, who took the initiative in reorganizing the Company and therefore may be considered as promoters within the meaning of applicable securities legislation, each received 84,467 shares of Irwin Toy Limited as a result of the conversion of the shares of Irwin Specialties Limited received by them in exchange for their shares of Kenner Canada and Ideal Canada. The balance of 83,966 shares of Irwin Toy Limited issued as a result of such exchange and conversion were received as to 28,324 shares by the estate of the late Samuel B. Irwin and as to 27,821 shares by each of Beatrice I. Irwin and T. Bryan Irwin.

Business of the Company

Nature of the Toy Industry

The toy industry, which is a part of the over-all leisure time industry, has experienced an average rate of growth of 10% per year since 1954. A few successful products normally account for a large percentage of profits and most products have a relatively short life cycle. Therefore, the ability to introduce popular new products every year is a prerequisite for success. Television advertising is another key factor in the toy industry. Large television advertising expenditures are required in order to create significant demand for a product which permits long production runs and lower unit manufacturing costs. The method of packaging is also an important sales tool and packaging design and artwork can be a major cost element.

In general, the industry is very seasonal and is characterized by orders from buyers from February through April and shipments from July through December with the bulk of retail sales in November and December. Toy manufacturers in both the U.S. and Canada have been increasing their advertising

efforts in traditionally slow retail sales periods in order to increase sales and to remove some of the seasonality from production and shipping.

Canadian toy manufacturers have traditionally enjoyed tariff protection. The tariff on most imported toys is presently 23% and is being reduced over the next three years to 20% in accordance with the terms of the Kennedy Round agreements.

Products

The basic product strategy of the Irwin Group is to introduce toys in Canada one full year after they have been introduced in the United States or other countries. The Irwin Group obtains the Canadian manufacturing rights to toys from a number of U.S. toy manufacturers and therefore is not dependent upon any one particular company for the development of new products. This policy has enabled the Irwin Group to achieve a steady rate of growth since it can select the most successful toys from a variety of sources and obtain reliable information on manufacturing costs. A description of the products of the Irwin Group is set out below.

Irwin Toy Limited

Each year, the Company enters into licensing arrangements with a number of U.S. toy manufacturers, with whom it has a continuing business association, under which royalties are paid for the exclusive right to manufacture and market specific toys in Canada. These arrangements generally provide that the Company may obtain manufacturing tools and designs, television advertisements, packaging designs and artwork, technical assistance and cost information from the U.S. manufacturer.

The Company manufactures and markets many popular toys and games including Buddy L trucks and Super-Flex cartoon characters which have been on the market for three years, Barrel of Monkeys, Magic Mirror and Frisbee which have completed their second year and Three Blind Mice which was introduced last year. These products are marketed under such trade names as Li'l Beaver and Merchants.

In addition to its toy manufacturing operations, the Company manufactures souvenirs, such as pennants and hats, and is an established national wholesaler of toys, gifts and souvenirs. The wholesale line of about 8,000 items includes toys manufactured by the Irwin Group and others, souvenir items for the tourist trade and a variety of other products.

Jointly-Owned Companies

Kenner Canada, Ideal Canada, Transogram Canada and Rempel Canada are each jointly-owned by the Company and a U.S. toy manufacturer (or, in the case of Kenner Canada, by the parent company of a U.S. toy manufacturer). Each of the Jointly-Owned Companies has arrangements with its affiliated U.S. toy manufacturer whereby, in consideration of the payment of a royalty to the U.S. company, the Jointly-Owned Company has an exclusive licence to manufacture and sell in Canada products developed by the U.S. company. Generally speaking the Jointly-Owned Companies have the right to obtain manufacturing tools and designs, television advertisements, packaging designs and artwork, technical assistance and cost information relating to the licensed products. Pursuant to commission arrangements, the Company acts as the exclusive sales agent for the products of each of the Jointly-Owned Companies. These licensing and sales commission arrangements extend until December 31, 1972 in the case of Kenner Canada and Transogram Canada and until January 31, 1974 in the case of Ideal Canada. The arrangements with the Jointly-Owned Companies recognize the importance of the services of Arnold B. Irwin and S. Macdonald Irwin and contain provisions permitting termination in the event that both of the Irwins sever their connections with the Irwin Group. In addition, the arrangements with Transogram Canada may be terminated in the event of a change in effective control of Transogram Company Incorporated. The licensing and sales commission arrangements with Rempel Canada, which is the least significant of the Jointly-Owned Companies, are on a year to year basis.

The most popular Kenner Canada products last year were Easy Bake ovens and cake mixes and Spirograph, which have been on the market for five years and two years respectively, and Spirotot and Knit-o-matic which were introduced last year. Ideal Canada's most popular products last year included Hands Down and Tip-it which have been on the market for three years, Kaboom, Giggles and Racerific which have been out for two years, Action Highway and Supercity which were introduced last year, and a line of vinyl beach toys which has gradually been expanded since 1963. Major products of Transogram Canada include Hands-up-Harry, Kabala and Green Ghost. The only product of Rempel Canada is a latex rocking horse.

Marketing

The Irwin Group's products are sold through two separate sales forces. One sales force handles virtually all of the Irwin Group's manufactured toy products and sells to approximately 1,500 customers in Canada, including all of the major department stores. The other sales force, which is used for the Company's wholesale product line, sells to about 3,000 additional customers across Canada including the national variety chain stores and independent souvenir stores.

The Irwin Group pioneered the use of television advertising in the toy industry in Canada. The majority of the Irwin Group's television advertising is associated with children's programmes and virtually every television market in Canada is covered. During the fiscal year ended January 31, 1969, the Irwin Group spent over \$1,250,000 on advertising, almost all of which was allocated to television. The Company believes that amount is considerably greater than television advertising expenditures made by any of its competitors.

Manufacturing

The manufacturing activities of the Irwin Group consist primarily of the assembly of components. These parts are purchased mainly in Canada with other purchases being made in the Orient and the United States. The Company owns two buildings in Toronto, one having about 360,000 square feet of floor space and the other about 75,000 square feet. The larger building houses all of the Irwin Group's manufacturing, shipping and receiving and much of its storage facilities while the smaller building is used mainly for storage.

The Irwin Group schedules long production runs in order to improve operating efficiency and reduce unit costs. The labour force, which is mainly female, averages about 350 employees and reaches a seasonal peak of about 500 employees. Labour costs amount to less than 5% of sales.

Directors and Officers

The directors and officers of the Company are as follows:

<u>Name and address</u>	<u>Office</u>	<u>Principal occupation</u>
ARNOLD BEATTY IRWIN..... 34 Edgar Avenue, Toronto, Ontario	President and Director.....	Executive, Irwin Toy Limited
SAMUEL MACDONALD IRWIN..... 106 Garfield Avenue, Toronto, Ontario	Executive Vice-President..... and Director	Executive, Irwin Toy Limited
LOUIS BOARETTI..... 1413 Lochlin Trail, Mississauga, Ontario	Secretary-Treasurer..... and Director	Executive, Irwin Toy Limited
EDWARD JOHN MEREDITH HUYCKE... 196 Inglewood Drive, Toronto, Ontario	Director.....	Partner, Osler, Hoskin & Harcourt
BEATRICE ISABEL IRWIN..... 12 Baytree Crescent, Willowdale, Ontario	Director.....	Director, Irwin Toy Limited
CHARLES EDWARD MEDLAND..... 319 Glenayr Road, Toronto, Ontario	Director.....	Vice-President and Director, Wood Gundy Securities Limited

During the past five years all of the directors and officers of the Company have been associated in various capacities with the corporations or firm indicated opposite their names or predecessors of such corporations.

As at March 27, 1969 the directors and senior officers (comprised of the five highest paid employees including the three officers shown under "Directors and Officers" above) of the Company, as a group, beneficially owned, directly or indirectly, 952,375 shares of the Company being 79.4% of the outstanding shares.

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the Company to its directors and senior officers during the year ended January 31, 1969 was \$171,703 and from February 1, 1969 to February 28, 1969 was \$10,936.

The estimated aggregate cost to the Company in the year ended January 31, 1969 of all pension benefits proposed to be paid to the directors and senior officers of the Company in the event of retirement at normal retirement age was \$6,053.

Selling Shareholders

The following are the names of all the shareholders of the Company and the number of shares owned and to be sold by them:

<u>Name and address</u>	<u>Number of shares owned</u>	<u>Percentage of class outstanding</u>	<u>Number of shares to be sold by shareholder</u>	<u>Number of shares to be owned after this offering</u>	<u>Percentage of class to be owned after this offering</u>
ARNOLD BEATTY IRWIN 34 Edgar Avenue, Toronto, Ontario.....	441,732	36.81%	94,955	346,777	28.90%
SAMUEL MACDONALD IRWIN 106 Garfield Avenue, Toronto, Ontario.....	441,732	36.81%	94,955	346,777	28.90%
LYNN MARY IRWIN 34 Edgar Avenue, Toronto, Ontario.....	79,037	6.59%	16,990	62,047	5.17%
ELINOR JANE IRWIN 106 Garfield Avenue, Toronto, Ontario.....	79,037	6.59%	16,990	62,047	5.17%
KENNETH NUTTALL 1037 Lakeshore Road, Oakville, Ontario.....	32,296	2.69%	6,942	25,354	2.11%
JACK HENRY KEIRSTEAD 65 Thorncliffe Park Drive, Toronto, Ontario.....	32,296	2.69%	6,942	25,354	2.11%
THE ESTATE OF SAMUEL BEATTY IRWIN 12 Baytree Crescent, Willowdale, Ontario.....	29,434	2.45%	29,434	---	---
BEATRICE ISABEL IRWIN 12 Baytree Crescent, Willowdale, Ontario.....	28,191	2.35%	25,000	3,191	.27%
THOMAS BRYAN IRWIN 55 Wynford Drive, Dom Mills, Ontario.....	27,821	2.32%	5,981	21,840	1.82%
LOUIS BOARETTI 1413 Lochlin Trail, Mississauga, Ontario.....	8,424	0.70%	1,811	6,613	.55%
	<u>1,200,000</u>	<u>100.0%</u>	<u>300,000</u>	<u>900,000</u>	<u>75.00%</u>

Description of Shares

The shares without par value are the only class of shares of the Company. Their holders are entitled to one vote in respect of each share held and to share rateably in any dividends or other distributions to shareholders. The shares offered by this prospectus are fully paid and non-assessable.

Stock Option Plan

The board of directors of the Company have adopted a stock option plan, which has been approved by the shareholders, pursuant to which options to purchase up to an aggregate of 60,000 shares of the Company may be granted to officers and full-time employees of the Company. The price at which options may be granted shall be not less than the fair market price of the shares on the day preceding the grant of such options. The options will be exercisable on a cumulative basis as to 20% thereof during each of the five twelve-month periods following the grant thereof.

Dividends

In each of the last five fiscal years Can-Am Toy Limited paid a dividend of 5 cents per share on its outstanding preference shares. During the years ended January 31, 1966 and January 31, 1967, 145 Front Street East Limited paid dividends of 10¢ per share and 5¢ per share respectively on its outstanding preference shares. These dividends aggregated \$752.

Plan of Distribution

Under an agreement dated April , 1969 with Wood Gundy Securities Limited, as underwriter, the Selling Shareholders have agreed to sell and the underwriter has agreed to purchase on or about May , 1969, subject to the terms and conditions stated therein, all, but not part of, the 300,000 shares offered by this prospectus at a price of \$ per share payable in cash on delivery.

Material Contracts

The Company has not entered into any material contracts during the past two years, other than contracts made in the ordinary course of business, except for certain of the contracts relating to the arrangements described on page 5 for the manufacture and sale of the products of the Jointly-Owned Companies, namely:

- (1) Agreement between Kenner Canada and Can-Am Toy Limited and others dated as of February 1, 1968.
- (2) Agreement between Ideal Canada, Ideal U.S., Irwin Specialties Limited, Can-Am Toy Limited and others dated as of January 31, 1969.
- (3) Agreement between Transogram Canada and Irwin Specialties Limited dated March 24, 1969, amending an agreement dated June 14, 1963.
- (4) Agreement between Transogram Canada and Can-Am Toy Limited dated March 24, 1969, amending an agreement dated June 14, 1963.
- (5) Agreement between Transogram Company Incorporated and Irwin Specialties Limited dated March 24, 1969 amending an agreement dated May 16, 1963.

Copies of the foregoing agreements may be examined during normal business hours at the head office of the Company during the period of primary distribution of the shares offered by this prospectus and for a period of 30 days thereafter.

Auditors, Transfer Agent and Registrar

The auditors of the Company are Harbinson, Glover & Co., 101 Richmond Street West, Toronto.

The transfer agent and registrar for the shares of the Company is The Royal Trust Company at its principal offices in Toronto, Montreal, Winnipeg, Calgary and Vancouver.

**Companies which subsequently amalgamated
as Irwin Toy Limited (Note 1)**

Statement of Combined Earnings

	Fiscal years ended January 31,				
	1965	1966	1967	1968	1969
Earnings, before the following deductions.	\$123,019	\$158,729	\$223,913	\$416,514	\$941,353
Depreciation.	13,780	16,683	19,522	69,367	53,675
Interest on long-term debt.	13,540	16,693	20,841	32,151	60,654
Income taxes (Note 3).	23,150	41,679	71,200	137,700	419,000
	<u>50,470</u>	<u>75,055</u>	<u>111,563</u>	<u>239,218</u>	<u>533,329</u>
Net earnings excluding equity in net earnings of companies 50% owned.	<u>\$ 72,549</u>	<u>\$ 83,674</u>	<u>\$112,350</u>	<u>\$177,296</u>	<u>\$408,024</u>
Note:					
Equity in net earnings (loss) of companies 50% owned (Note 2).	<u>\$(20,966)</u>	<u>\$ 33,322</u>	<u>\$ 77,188</u>	<u>\$100,617</u>	<u>\$173,149</u>

Statement of Combined Retained Earnings

	Fiscal years ended January 31,				
	1965	1966	1967	1968	1969
Retained earnings, beginning of year.	\$184,318	\$256,848	\$340,103	\$452,215	\$ 629,473
Net earnings excluding equity in net earnings of companies 50% owned.	72,549	83,674	112,350	177,296	408,024
Life insurance claim received.					200,000
Dividends on preference shares.	(19)	(419)	(238)	(38)	(38)
Goodwill written off.					(7,500)
Retained earnings, end of year.	<u>\$256,848</u>	<u>\$340,103</u>	<u>\$452,215</u>	<u>\$629,473</u>	<u>\$1,229,959</u>

**Notes to Statements of Combined Earnings
and Combined Retained Earnings**

1. COMPANIES INCLUDED

The statements of combined earnings and combined retained earnings include earnings of Irwin Specialties Limited, Can-Am Toy Limited, and 145 Front Street East Limited for the five years ended January 31, 1969 and of Merchants Trading Limited for the period June 17, 1965 (date of incorporation) to January 31, 1969. The earnings of Merchants Trading Limited, whose fiscal year end was not January 31, were pro-rated so that the combined figures reflect its earnings for fiscal periods ended on January 31 in each year. Merchants Trading Limited was not connected with the Company until February 29, 1968 at which date all of its outstanding shares were acquired by certain directors of Irwin Specialties Limited. The statements of combined earnings and combined retained earnings include net earnings of Merchants Trading Limited as follows:

	For fiscal years ended January 31,			
	1966	1967	1968	1969
Net earnings (loss).	\$(10,844)	\$(12,355)	\$(26,667)	\$74,708

Inter-company transactions have been eliminated.

2. EQUITY IN NET EARNINGS OF COMPANIES 50% OWNED

Irwin Specialties Limited, one of the amalgamating companies, owned 50% of the shares of Rempel Mfg. (Canada) Limited throughout the five years ended January 31, 1969 and acquired 50% of the shares of Ideal Toy Company of Canada, Ltd. and Kenner Products (Canada) Limited on March 25, 1969.

The equity in net earnings (loss) of companies 50% owned at the date of amalgamation is not included in the statement of combined earnings but is set out in the footnote thereto. The inclusion of the equity in net earnings (loss) of such companies, regardless of the date of acquisition, based on the net earnings reported in the audited annual financial statements of such companies adjusted to allocate tax reductions due to applications of loss to the year of loss, would result in the following:

	Fiscal years ended January 31,				
	1965	1966	1967	1968	1969
Net earnings including equity in net earnings of companies 50% owned.	\$51,583	\$116,996	\$189,538	\$277,913	\$581,173

It is the Company's intention for its fiscal year ending January 31, 1970 and subsequent fiscal years to include in net earnings its equity in net earnings of companies 50% owned and to reflect the investment in such companies at the value of their underlying net tangible assets.

3. INCOME TAXES

Income taxes have been included in the statement of combined earnings on the basis of tax provisions for the various years except that tax reductions due to application of losses have been allocated to the year of loss.

If the earnings for all amalgamating companies were considered as earned by one taxable corporation, the provision for income taxes would have increased as follows:

Year ended January 31,	Increase in income taxes
1965.....	\$16,463
1966.....	13,354
1967.....	14,096
1968.....	16,299
1969.....	12,259

Auditors' Report on Statement of Combined Earnings, Statement of Combined Retained Earnings and Equity in Net Earnings of Companies 50% Owned

To the Directors of
IRWIN TOY LIMITED.

We have examined the statements of combined earnings and combined retained earnings of the companies referred to in Note 1 which subsequently amalgamated as Irwin Toy Limited, for the five years ended January 31, 1969. We also have examined the financial statements of the companies 50% owned referred to in Note 2, for the five years ended January 31, 1969. Our examination of the financial statements for which we were the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who examined the financial statements of Merchants Trading Limited and Ideal Toy Company of Canada, Ltd., where applicable.

In our opinion the statements of combined earnings and combined retained earnings of the companies referred to in Note 1 present fairly the results of their combined operations for the five years ended January 31, 1969, in accordance with generally accepted accounting principles applied on a consistent basis. We further report that in our opinion the equity in net earnings of the companies 50% owned referred to in Note 2 for the five years ended January 31, 1969 is fairly presented in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario,
March , 1969.

Chartered Accountants

**Companies which subsequently amalgamated
as Irwin Toy Limited**

Combined Balance Sheet as at January 31, 1969 (Note 1)

and

Pro Forma Balance Sheet as at January 31, 1969 (Note 2)

Assets	Combined balance sheet (Note 1)	Pro Forma balance sheet (Note 2)
CURRENT:		
Cash.....	\$ 8,548	\$ 3,787
Accounts receivable.....	779,037	779,037
Inventories (Note 3).....	1,230,421	1,230,421
Prepaid expenses.....	14,637	14,637
	<u>2,032,643</u>	<u>2,027,882</u>
LIFE INSURANCE, cash surrender value.....	44,663	44,663
NOTE RECEIVABLE (Note 4).....	90,738	—
INVESTMENTS (Note 5).....	46,090	654,668
FIXED:		
Land, buildings, plant and equipment, at cost, less accumulated depreciation of \$190,296.....	894,898	894,898
	<u>\$3,109,032</u>	<u>\$3,622,111</u>

Liabilities

CURRENT:		
Bank indebtedness (secured).....	\$ 180,320	\$ 180,320
Accounts payable and accrued liabilities.....	536,354	536,354
Income and other taxes payable.....	282,390	282,390
Current portion of long-term debt.....	146,087	146,087
	<u>1,145,151</u>	<u>1,145,151</u>
LONG-TERM DEBT (Note 6).....	605,816	605,816

Shareholders' Equity

CAPITAL STOCK:		
Combined balance sheet.....	98,413	—
Pro forma balance sheet		
Authorized: 3,000,000 shares without par value		
Issued: 1,200,000 shares (Note 7).....	—	611,492
CONTRIBUTED SURPLUS (Note 8).....	29,693	29,693
RETAINED EARNINGS.....	1,229,959	1,229,959
	<u>\$3,109,032</u>	<u>\$3,622,111</u>

Approved on behalf of the Board:

(Signed) A. B. IRWIN, Director

(Signed) L. BOARETTI, Director

Notes to Combined Balance Sheet and Pro Forma Balance Sheet as at January 31, 1969

1. COMPANIES INCLUDED

The combined balance sheet is comprised of the accounts of Irwin Specialties Limited, Merchants Trading Limited, Can-Am Toy Limited and 145 Front Street East Limited, which amalgamated on March 26, 1969 as Irwin Toy Limited.

2. PRO FORMA TRANSACTIONS

The pro forma balance sheet gives effect at January 31, 1969 to

- (a) The purchase for cancellation on March 25, 1969 of 4,001 \$1 par value preference shares of 145 Front Street East Limited for \$4,001 and the purchase for cancellation of 760 \$1 par value preference shares of Can-Am Toy Limited for \$760.
- (b) The purchase on March 25, 1969 by Irwin Specialties Limited of 50% of the outstanding shares of Ideal Toy Company of Canada, Ltd. and Kenner Products (Canada) Limited at the book value of these shares as at January 31, 1969 for a total consideration of \$517,840 satisfied by the issuance of common shares of Irwin Specialties Limited.
- (c) The issue of letters patent of amalgamation dated March 26, 1969 confirming the agreement dated March 14, 1969 between Irwin Specialties Limited, Merchants Trading Limited, Can-Am Toy Limited and 145 Front Street East Limited to amalgamate and continue as one company under the name of Irwin Toy Limited, a public company with an authorized capital of 3,000,000 shares without par value and an issued capital of 1,200,000 shares.

3. INVENTORIES

Raw materials.....	\$ 176,548
Finished goods.....	<u>1,053,873</u>
	<u>\$1,230,421</u>

Raw materials and finished goods were valued at the lower of cost or net realizable value.

4. NOTE RECEIVABLE

The 6% note receivable from Ideal Toy Company of Canada, Ltd., in the amount of \$90,738 has been included in Investments on the pro forma balance sheet (Note 5).

5. INVESTMENTS, AT COST

	<u>Combined balance sheet</u>	<u>Pro Forma balance sheet</u>
Companies 50% owned:		
Shares of Ideal Toy Company of Canada, Ltd. and Kenner Products (Canada) Limited (acquired March 25, 1969).	—	\$517,840
6% note receivable from Ideal Toy Company of Canada, Ltd.	—	90,738
Shares of Rempel Mfg. (Canada) Limited.....	\$10,000	\$10,000
Company 48% owned:		
Shares of Transogram Canada Limited.....	35,160	35,160
Other investments.....	<u>930</u>	<u>930</u>
	<u>\$46,090</u>	<u>\$654,668</u>

It is the Company's intention for its fiscal year ending January 31, 1970 and subsequent fiscal years to include in net earnings its equity in net earnings of companies 50% owned and to reflect the investment in such companies at the value of their underlying net tangible assets. On this basis, at January 31, 1969, the pro forma balance sheet would show the equity in the underlying net tangible assets of Ideal Toy Company of Canada, Ltd. and Kenner Products (Canada) Limited unchanged from the above presentation while the amount for Rempel Mfg. (Canada) Limited would be a deficit of \$3,346.

It is the Company's policy to reflect its investment in shares of Transogram Canada Limited at cost. At December 31, 1968, which was the fiscal year end of Transogram Canada Limited, the Company's equity in the underlying net tangible assets of Transogram Canada Limited was \$120,037.

6. LONG-TERM DEBT

7½% First mortgage payable monthly to March 1, 1987, secured on land and building at 43 Hanna Avenue, Toronto.....	\$279,456
8% First mortgage payable monthly to November 1, 1972 secured on land and building at 145 Front Street East, Toronto.....	70,228
9% Mortgage payable monthly to April 23, 1976, secured by specific charges on land and building at 43 Hanna Avenue, Toronto, and 145 Front Street East, Toronto, by a chattel mortgage on machinery and equipment and a floating charge on other assets.....	276,000
Sundry mortgage indebtedness secured on land and buildings at 145 Front Street East, Toronto:	
Due to shareholders.....	62,000
Due to others.....	15,987
Sundry notes payable.....	48,232
	<u>751,903</u>
Less: Current portion due within one year.....	146,087
	<u>\$605,816</u>

7. STOCK OPTION PLAN

The board of directors of the Company have adopted a stock option plan pursuant to which options to purchase up to an aggregate of 60,000 shares of the Company may be granted to officers and full-time employees of the Company.

8. CONTRIBUTED SURPLUS

A contributed surplus of \$29,693 was created in Merchants Trading Limited as a result of the financial reorganization of that company which took place in February 1968, immediately prior to the acquisition of all of its outstanding shares by certain directors of Irwin Specialties Limited.

Auditors' Report on the Balance Sheets

To the Directors of
IRWIN TOY LIMITED.

We have examined the combined balance sheet as at January 31, 1969 of the companies set out in Note 1 to the balance sheets, which companies subsequently amalgamated as Irwin Toy Limited. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the combined balance sheet presents fairly the combined financial position of the companies referred to above as at January 31, 1969 in accordance with generally accepted accounting principles applied on a consistent basis.

We further report that, in our opinion, the accompanying pro forma balance sheet presents fairly the financial position of Irwin Toy Limited as at January 31, 1969 after giving effect as at that date to the transactions set out in Note 2 of the balance sheets.

Toronto, Ontario,
March , 1969.

Chartered Accountants

Purchaser's Statutory Rights of Withdrawal and Rescission

Sections 63 and 64 of The Securities Act, 1967 (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan), sections 63 and 64 of The Securities Act, 1968 (Manitoba), and sections 63 and 64 of The Securities Act, 1966 (Ontario) provide, in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide, in effect, that, where a security is offered to the public in the course of primary distribution, a purchaser has the same right of rescission described in (b) above and also that a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Certificates

Dated: March 27, 1969.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

(Signed) A. B. IRWIN

President

(Signed) L. BOARETTI

Secretary-Treasurer

On behalf of the Board of Directors

(Signed) E. J. M. HUYCKE

Director

(Signed) S. M. IRWIN

Director

Underwriter

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act, 1967 (British Columbia) and the regulations thereunder, by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, under the Securities Act (Quebec) and by Section 13 of the Securities Act (New Brunswick).

WOOD GUNDY SECURITIES LIMITED

By: (Signed) DAVID C. H. STANLEY

The following includes the name of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of Wood Gundy Securities Limited: C. L. Gundy, W. P. Wilder, J. N. Cole, E. S. Johnston, J. K. McCausland, P. J. Chadsey and J. R. LeMesurier.

